

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7378**

**BILL NUMBER:** HB 1555

**DATE PREPARED:** Apr 6, 2001

**BILL AMENDED:** Apr 5, 2001

**SUBJECT:** Various Insurance Matters.

**FISCAL ANALYST:** Jim Landers

**PHONE NUMBER:** 232-9869

**FUNDS AFFECTED:** X

X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill allows the State Health Commissioner to take remedial action under certain circumstances. The bill also allows a wage assignment for the purpose of paying a premium on a policy of insurance. The bill includes a HMO and a limited service HMO within the definition of "insurer" for purposes of the law regulating insurance holding company systems.

The bill prohibits a person from disclosing nonpublic personal financial information and authorizes the Insurance Commissioner to implement rules. The bill states that a practice committed flagrantly and in conscious disregard may constitute an unfair claim settlement practice.

The bill requires the Insurance Commissioner to consider the remediation efforts of a person who has engaged in unfair methods of competition or deceptive acts or practices in the business of insurance when assessing fines and penalties. It also requires the Insurance Commissioner to produce a report containing specified information and to provide a copy of the report to certain committees of the General Assembly. The bill also provides requirements for cancellation or nonrenewal of residential insurance policies. It also requires an insurer to notify a residential policyholder regarding coverage for flood damage.

The bill requires a utilization review agent to, under certain circumstances, supply an insured with certain information at the time an adverse utilization review determination is made, and to provide this information to a provider of record upon request. It also requires an insurer to establish and maintain an internal grievance procedure and an external grievance review procedure.

The bill amends the Indiana HMO law concerning: (1) assumption of a corporate name; (2) reinsurance; (3) rights and responsibilities of domestic, foreign, and alien HMOs; (4) annual and other filings; (5) noncovered health care expenditures; (6) receivership; and (7) voluntary dissolution.

The bill also requires the Insurance Commissioner to begin to study potential solutions to: (1) The accelerated rate increases for individual health insurance policies that are not actively marketed; and (2)

consumer misunderstanding of precertification and preauthorization requirements under preferred provider plans. The bill also requires the Insurance Commissioner to report any potential solutions resulting from the study no later than July 1, 2002, to the Chairman of the House Insurance, Corporations, and Small Business Committee and the Chairman of the Senate Insurance and Financial Institutions Committee.

The bill authorizes the Insurance Commissioner to adopt rules providing for the accrual and quarterly billing of insurance filing fees.

**Effective Date:** Upon passage; July 1, 2001; January 1, 2002.

**Explanation of State Expenditures:** (Revised) *Department of Insurance Studies/Reporting:* The bill requires that the Department of Insurance conduct a study of the potential solutions to: (1) The accelerated rate increases for individual health insurance policies that are not actively marketed; and (2) consumer misunderstanding of precertification and preauthorization requirements under preferred provider plans. The bill also requires the Insurance Commissioner to include, in the annual report of consumer complaints lodged against insurers operating in Indiana, a report of insurers that have flagrantly or frequently committed unfair claim settlement practices and any enforcement action taken as a result of that practice. The study and additional reporting presumably can be performed without additional staffing or resources.

*Billing of Insurance Fees:* The bill potentially could increase administrative costs to the Department of Insurance, including computer programming cost and staff time cost. The nature and extent of the additional administrative cost would depend upon which fees the Department elects to collect via quarterly billing.

**Explanation of State Revenues:** (Revised) *Penalties:* This bill eliminates the maximum amount of aggregate penalties that may be imposed for unfair methods of competition and unfair or deceptive acts or practices in the business of insurance. The Department of Insurance collected \$394,000 in fines during FY 1998; \$165,000 during FY 1999; and \$130,467 in FY 2000. This bill affects the aggregate amount of fines that can be collected, so the amount of increase in fine collections will depend on administrative action in the determination of the fines imposed. Fines imposed and collected are deposited into the State General Fund.

*Billing of Insurance Fees:* If the Department elects to allow certain fees to be accrued and collected through quarterly billing, the timing of revenue collection would be affected.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Insurance.

**Local Agencies Affected:**

**Information Sources:** Liz Carroll, Deputy Director, Department of Insurance, (317) 232-2406.